# 1.0 Executive Summary

NeXcelerator is a business incubator and business accelerator that was developed by both public and private stakeholders with the goal of producing successful business enterprises that will leave the program financially viable and freestanding in order to create jobs, revitalize neighborhoods, commercialize new technologies, and strengthen local economies. The accelerator will provide a major stimulus to economic development in the DC/MD/VA region and expand its technology base.

 Additionally, it is the goal of NeXcelerator increase the number of minority owned businesses involved in the technology industries. Minorities, particularly African Americans, Hispanics and Native Americans are severely under-represented in the booming field of emerging technology and the gap is getting wider each year. The accelerator focuses on established minority owned firms that are poised to move up to the next level in IT and other emerging technologies. NeXcelerator will afford clients high level expertise from both the area universities and the local business community.

 The stakeholders for NeXcelerator are the six major universities in Washington, DC; the regional business community; federal and local governments and private investors. The company is one of the few incubator/accelerators in the nation that has both public and private components. It  will capitalize on  the high interest in developing incubators by both governmental entities and  the private financial sector. Furthermore, the Obama administration has made  a major commitment to business incubators including proposing funding for new appropriations for financing incubators and their business graduates. And, local governments also recognize the value of incubators as an economic stimulus and are also providing financial and resource support to encourage their development and operation. The private investment sector has witnessed the extraordinary results achieved by some for-profit technology accelerators and have, consequently, aggressively invested in incubators with both expertise and money. NeXcelerator is structured to receive and manage both governmental and foundation grants and contracts,  and private investment capital.

 NeXcelerator, which is headquartered in the Nation's Capital near the campus of the University of the District of Columbia (UDC), combines both the academic prowess of the local university community with the business acumen and experience of the local business community, coupled with the presence of the federal government which permits vast economies of scale. NeXcelerator is unique because most incubators/accelerators are university based or community based or privately owned. NeXcelerator combines the best of all three types of stakeholders.

 NeXcelerator is a hybrid which combines features of both an incubator and an accelerator. Typically, incubators work with startups and new ideas in a variety of ways, whereas accelerators are more intense in their service delivery and take a more hands on approach. NeXcelerator encompasses both. It will serve and support startups in  its incubator program along with existing clients who are seeking support to expand their current business and they will share a 'fee for service' relationship with NeXcelerator and/or they will pursue a tenant arrangement to acquire office and related  services.

 The NeXcelerator's accelerator program is structured and very intense and is provided for no fee or for substantially discounted fees. Instead an equity position will be taken in the client's firm or a royalty arrangement may be established.

 Washington, DC was designated one of the markets most in need of business incubator capacity. It has a vibrant business and technology community and an expansive source of potential clients. NeXcelerator has a dynamic marketing strategy that includes referrals, promotions, advertising, media and astute use of the internet and social media. The company will receive referrals from affiliated universities, small business development companies, business professionals, financial institutions, and federal and local government giving it a decided recruiting advantage.

 The company is conveniently located in the prestigious Van Ness section of Washington, DC near the UDC campus. The offices and incubator are in the modernistic Intelsat building which sets up perfectly for incubator/accelerator. A full array of top of the line business equipment and services are available to company clients. The offices will be manned by full time staff of seven professionals. The founders and stakeholders are building a large cadre of academic and business and financial experts to consult with clients, most of whom will serve as volunteers.

 Darryl Hill and Dr. John Whitman provide neXcelerator with brilliant leadership. Mr. Hill is an intrepid innovative entrepreneur who has started and capitalized a number of successful business ventures worldwide, including joint ventures in Russia, China and Brazil, as well as, several outstanding firms in the USA. He is a true startup specialist. He also was a pioneer in minority business development and during the 1970's he directed the Greater Washington Business Center which provided technical assistance to over 2,500 minority owned firms. John Whitman is a professor of social entrepreneurship at Georgetown University. He has held similar positions at Babson College and Harvard University. Prior to teaching, Dr. Whitman started and sold a successful international internet tools company. He is also the Executive Director of the National Black Museum for Entrepreneurship and Innovation located in Washington, DC.

 NeXcelerator will break even in its second year of operations and will realize annual net profit of nearly $400,000 in year three.

 NeXcelerator is seeking $350,000 in investment capital. The payback period for investors is less than three years.

### Chart: Highlights



# 2.0 Company Summary

NeXcelerator, Inc is a company that provides clients with the necessary resources to formulate and accelerate their business ventures.  NeXcelerator primarily focuses on firms that are in high growth industries.  NeXcelerator also recognizes the acute absence of minority owned companies in the high tech industry and consequently places special emphases on supporting minority technical firms that are in need of second stage financing.

 NeXcelerator is a hybrid company that serves as an incubator for start-up companies and an accelerator for established companies or companies that have already received first round financing. NeXcelerator is a unique hybrid which combines both the elements of an incubator and an accelerator.  Generally, accelerators are most interested in assisting emerging companies with high growth potential. Accelerators are more intense in the help they provide and are looking to quickly move their business clients into action. Accelerators are looking for emerging companies with high growth potential. Incubators serve a broader market and provide basic services, and incubators are more patient and willing to work with businesses that have slower growth potential.

 NeXcelerator also combines the elements of a commercially based incubator/accelerator and a university based incubator/accelerator.  University incubators focus on technical assistance and business education and training.  They also provide much needed business, technical and market research. Commercially based incubators seek to move client businesses quickly and efficiently into the market place and sharply train business and technical expertise upon specific client and market needs.

 NeXcelerator nurtures the development of its entrepreneurial clients. It helps them survive and grow during the start-up period when they are most vulnerable, and it helps them accelerate to the next level if they are already in business. NeXcelerator provides its client companies with business support services and resources tailored to meet the needs of young and/or emerging firms.

 In addition to creating profits for its investors as client companies prosper, NeXcelerator also has an equally important goal of creating jobs in the community by retaining local businesses,  building or accelerating the growth of local industries, diversifying local economies, and enhancing the community's entrepreneurial climate.

 In order to achieve these goals, NeXcelerator is organized as a combined public/private organization with both for-profit and non-profit components. Indeed, **NeXcelerator marries for-profit motives with urban economic development ideals, in a public-private partnership.**

## 2.1 Company Organization and Ownership

Company management and staff as defined in Section 7.0 of this plan currently own 100% of neXcelerator, LLC. The company will sell a minority interest in the company to outside investors. A 25% interest in the company is currently being offered for an initial investment of $350,000. Other stakeholders such as universities, consultants and community organizations could also have an equity interest in the company. Management will retain controlling interest in the firm at all times.

 NeXcelerator is a joint venture between two affiliated corporate structures, a for-profit Reg E corporation and a nonprofit 501 (C) 3 corporation. This arrangement allows the company to take advantage of the capital and resources available from the private business sector.

 The nonprofit charitable foundation which will be connected to UDC allows NeXcelerator to participate in the public sector's interest in fostering economic development through incubators.

 Local governments are becoming increasingly aware of the value of incubator-driven commercial development. Government subsidies for well-managed business incubation programs represent strong investments in local and regional economies. Consider these returns:

* Research has shown that for every $1 of estimated public operating subsidy provided the incubator, clients and graduates generate approximately $30 in local tax revenue alone.
* National Business Incubator Association (NBIA) members have reported that 84 percent of incubator graduates stay in their communities.
* NBIA also reports that incubator graduates have an 87% survival rate.

The Obama Administration is taking concrete actions to improve the environment for high-growth entrepreneurship, in five key areas:

1.       [Unlocking Access to Capital](http://www.whitehouse.gov/issues/startup-america-public#1)

2.       [Connecting Mentors](http://www.whitehouse.gov/issues/startup-america-public#2)

3.       [Reducing Barriers](http://www.whitehouse.gov/issues/startup-america-public#3)

4.       [Accelerating Innovation](http://www.whitehouse.gov/issues/startup-america-public#4)

5.       [Unleashing Market Opportunities](http://www.whitehouse.gov/issues/startup-america-public#5)

Both federal and local government agencies are actively providing funding through contracts and grants to private organizations that operate incubators and accelerators.  Because it provides services directed toward Disadvantaged Business Enterprises (DBE)NeXcelerator is well positioned to receive governmental funding from a number of federal and local programs whose goal is to assist DBE’s.

## 2.2 Start-up Summary

Most of the required start up expenses will be working capital to cover early years' operating expenses. $400,000 will be injected at startup.

### Table: Start-up

|  |  |
| --- | --- |
| *Start-up* |  |
|  |  |
| Requirements |  |
|  |  |
| Start-up Expenses |  |
| Legal | $10,000  |
| Stationery etc. | $2,500  |
| Insurance | $1,500  |
| Rent | $20,000  |
| Other | $5,000  |
| Total Start-up Expenses | $39,000  |
|  |  |
| Start-up Assets |  |
| Cash Required | $287,000  |
| Other Current Assets | $0  |
| Long-term Assets | $74,000  |
| Total Assets | $361,000  |
|  |  |
| **Total Requirements** | $400,000  |

### Chart: Start-up



## 2.3 Company Locations and Facilities

NeXcelerator has 5,000 square feet of office and training facilities in the contemporary Intelsat Building located in Washington DC at 3400 International Drive, NW adjacent to the University of the District of Columbia campus. The facilities will be expanded to 10, 000 as client rolls expand. This is a centrally located quality facility that will help attract first-rate clients.

 NeXcelerator has been able to negotiate favorable rates due to its mission and affiliation with UDC, which houses its administration offices in the same building.

 UDC has pledged to make certain additional campus facilities such as large meeting spaces and classrooms available to   NeXcelerator, as needed.

3.0 Services

Typically, incubators house a large collection of different types of business – small and medium sized businesses of all kinds, which are allowed to stay on site utilizing shared office space and facilities for an extended period of time (sometimes some years), until they reach success and get too big, or until  they fail.  They usually “pay rent” in a dedicated building and has access to advice and guidance from professionals such as accountants, marketing consultants and business advisers who are associated with the incubation center and act as mentors and work with startups and new ideas in a variety of ways, whereas accelerators emphasize rapid growth and a successful product launch after a short and intense incubation period, usually 3 to 6 months, during which time new founders are housed rent-free and sometimes receive a $15 to 25k stipend in exchange for equity in the startup and the opportunity to make a pitch to venture capitalists to obtain further funding in exchange for a  equity stake in the new business. **NeXcelerator is hybrid business development organization. It is a combination of a business incubator and a business accelerator.**

## 3.1 Service Description

NeXcelerator offers services and programs that are designed to increase a client's likelihood of successful development and growth. Offering value-added services is the key to the firm's ability to successfully launch graduates into a successful business trajectory and generate jobs and wealth in the region.

 NeXcelerator has two service goals:

1. To assist high growth startup businesses initiate successful operations
2. To assist on-going minority businesses reach a higher level of operations

NeXcelerator provides the following services to its clients:

1. Direct Business Development Services
2. Facility Based Services
3. Educational and Training Programs
4. Network and Relationship Services
5. Intense Accelerator Program

**Direct Business Development Services**

Direct services that are provided by staff, consultants, university faculty and mentors include:

* Business Plan Development
* Strategic Planning Assistance
* Management Team Identification
* Accounting/Financial Management Assistance
* Research and Development Assistance
* Product and Service Development Assistance
* Marketing and Sales Planning
* Branding
* Internet Technology
* International Business Assistance
* Financing and Funding Resources
* Presentation skills training & workshops

**Facility Based Services**

Certain clients will pay a flat rate for space and business services at the NeXcelerator main business facility which will provide:

* Office space including furniture, telephone services, local area network, high-speed Internet access, and basic technology assistance.
* Shared office systems which include a common copier, fax, and postage meter (which will bill clients for their actual usage only).
* A receptionist greets guests, handles the switchboard and takes messages for client organizations, and provides secretarial support for clients on a user-fee basis.
* Shared conference rooms, restrooms and a kitchen/lounge
* Security, janitorial services, and parking

**Educational and Training Programs**

NeXcelerator places a heavy emphasis on business education and training and is developing a broad menu of educational and training programs to include:

* Timely seminars and workshops on important topics regarding emerging growth business will be presented on a regular basis
* Seminars and training sessions on a wide range of general business-related topics applicable to any start-up operation, including financial, legal, organizational, marketing, and insurance information. In addition, depending on client demand and needs, these offerings can be delivered on-site at NeXcelerator's main facility, or at participating universities or off-site
* Access to undergraduate, graduate and continuing education course offered at the partner or stakeholder universities (such as UDC) that have joined NeXcelerator's network of supporting organizations
* Access to a resource library with up-to-date information and resources for start-ups including directories, business form templates, and checklists
* A Speaker Series featuring leading visionaries, entrepreneurs, public relations experts, emerging growth company lawyers and accountants, private investors, venture capitalists and university faculty

 **Network and Relationship Services**

Industries in emerging markets need entrepreneurs who have become proficient  in the art of creating, launching and scaling a great tech concept; who are skilled at pitching their concept, and who have been mentored by successful entrepreneurs who within the last few years, have navigated the same path to business success these  new entrepreneurs are traveling.  These new entrepreneurs will be introduced to the right angel investors and venture capitalists that can fund their ventures:

* Mentoring -- NeXcelerator is developing a pool of successful entrepreneurs who are willing to serve as mentors and business counselors for client companies. Mentors are selected for client organizations based upon subject matter expertise; the client’s specific stage of development and particular needs.
* Boards of Advisors --  NeXcelerator will establish a Board of Advisors that include a variety of professionals (attorneys, accountants, bankers); technology specialists  and successful business owners, who will not only advise NeXcelerator about its activities; but who are also willing to share their expertise with client  firms.
* Expert Consultants -- NeXcelerator is developing a broad-based pool of high-quality professionals with the vast array of technical and business skills needed to support client organizations.  Services for such a network will be negotiated on a pro bono or reduced fee basis with guidelines for qualifications and level of service provided. Some of the experts will be stake holders who have a vested interest in the success of the clients and will provide support at no fee.
* Investment and Financing Network -- NeXcelerator will establish and maintain relationships with a network of banks, angel investors, venture capitalists, and corporate equity investors who are interested in providing financial support to new and innovative ventures. NeXcelerator will facilitate appropriate introductions and negotiations for program clients.

 **Accelerator Program**

This is a total immersion accelerator program for clients in specific emerging technologies. The first Six weeks of the program will cover the following topics:

 Day 1What can you do right now to improve your Sales and lower your Costs?
Day 2 The 6 most important questions you can ask
Day 3 How and why to create a compelling Unique Selling Proposition (USP)
Day 4 What is your Market Niche?
Day 5 How unique is your Product or Service?
Day 6 What is your Vision?
Day 7 What is your Mission?
Day 8 Do you have a Plan for your Business?
Day 9 Planning is a Process
Day 10 What are your Objectives?
Day 11 What are your Strategies?
Day 12 What are your Action Plans?
Day 13 What are your Assumptions?
Day 14 Employee Recruiting and Retention
Day 15 Protecting What You've Built
Day 16 Finding the Money to Grow Your Business
Day 17 Is your Website Helping or Hurting your Business?
Day 18 Search Engine Optimization Basics for Small Business Owners
Day 19 Viral Marketing for Small Businesses
Day 20 Why Doesn't Traditional Marketing Work Anymore?
Day 21 The Average Website Visitor Returns 7 Times Before They Buy
Day 22 Sales Strategies that Work
Day 23 Ask Questions Instead of Selling
Day 24 Purpose of Asking Questions
Day 25 Got Referrals?
Day 26 Customer Service and Retention
Day 27 Time Management for Entrepreneurs
Day 28 Profit Improvement Programs and Turnarounds
Day 29 What is your Exit Plan?
Day 30 What are the Next Steps?

The next six weeks will be spent on customized training and consultation depending upon the client's specific business model and their particular growth and development needs. Customized training and consultation will include the following additional services:

* Preparation of business plans and other financial documentation powerful enough to obtain bank or venture capital financing, or joint venture or strategic partners.
* Matching a client's project with appropriate venture capital sources.
* Valuation studies and projections, project evaluations for both pre- and post-investment analysis.
* Negotiations and deal structuring, determining optimum debt and equity ratios, for financial plans.
* Planning investor and owner exit strategies through mergers, acquisitions, IPO's, LBO's, or ESOP's.
* Packaging financial documentation as a marketing vehicle to obtain funding.

## 3.2 Clients

NeXcelerator will work with both Alpha clients and Beta clients.  Alpha Clients are those in a startup phase  Beta Clients are existing businesses or entrepreneurs who have received a first round of funding and who are seeking assistance to expand and/or transform their businesses.

 **Alpha Clients**

There are three types of Alpha clients:

1. Fee for service clients- purchase products and services for a fee
2. Tenant clients- rent space for a flat monthly fee in our DC office, which also grants access to all of firm's products and services
3. Incubator clients- work directly with the firm's staff free of charge as the firm will take an equity position in the clients company and/or take royalties from client sales or profits

**Beta Clients**

Beta clients are mostly minority business owners, though not exclusively.  Services for these clients are extremely customized as the firm only takes a few Beta clients at a time.  NeXcelerator will work with Beta clients in three ways:

1.       Fee for service

2.       Royalty--the company participates in the client firm's sales or profits for a predefined rate and term

3.       Equity holding--the company takes an equity position in the client's firm. This is the most popular arrangement among the large national accelerators because they hope to find that client(s) who makes it exceptionally big and returns the accelerator eight or even nine figures in capital gains upon exit

 **Disadvantaged Business Enterprises (DBE)**

Minority owned businesses do not seem to be fully participating  in the current explosion of growth that high- tech firms are currently enjoying. NeXcelerator will look for promising IT startups and existing minority tech firms to help them gain economic parity by moving upon high growth potential and provide them with a formidable array of business, technical and financial support. It is critical that minorities fully participate in the recent economic bonanza fostered by emerging technologies. The accelerator will apply a profusion of high level technology to their minority clients in order to move them to the next level and to insure that they are competitive.

 3.3 Universities

There are six major universities in Washington, DC including  George Washington University, American University, Howard University, Catholic  University, Georgetown University, and the University of the District of Columbia. None of the universities currently supports a business accelerator program. These universities provide an untapped resource for student internships, faculty interactions, business school class projects, and heightened prestige and visibility for both the associated university and the client organization. Furthermore, partnerships with the area's universities provide access to additional facilities such as the universities'  libraries, meeting space, and computer centers.   Such an association might also provide opportunities for joint grant applications.

## 3.4 Competitive Comparison

NeXcelerator has certain unique aspects that give it a decided competitive advantage over other incubators:

 1.       NeXcelerator is a unique hybrid which combines both the elements of an incubator and an accelerator.

 2.       NeXcelerator also combines the elements of a commercially based incubator/accelerator and a university based incubator/accelerator.

 3.       NeXcelerator is also a public/private partnership giving it a distinct advantage in fund raising and resource acquisition.

# 4.0 Market Analysis Summary

Incubators/Accelerators are a rapidly expanding  industry in and of itself because the broad array of benefits that they provide to local community development efforts. In recent years, their expansion has also been fueled by the commercial and investment success experienced by for-profit companies that have invested in the startup market by operating incubator/ accelerator enterprises.

The astounding success of incubator graduates has been a key driving factor. They have outperformed other business startups by a wide margin.

### 4.1 Market Needs

There are a wide variety of reasons for operating an incubator.  There can be no question that a business incubator provides an economic boon for a community by expanding local businesses which will create new jobs.  Incubators promote economic self-sufficiency, they diversify the local economy, they transfer technology from universities and corporations to practical applications, and/ or they promote sharing the venture experiences of successful entrepreneurs and investors with new companies.

* Every 50 jobs created by an incubator business generates approximately 25 additional jobs in the same community.
* NBIA estimates that in 2005 alone, North American incubators assisted more than 27,000 start-up companies that provided full-time employment for more than 100,000 workers and generated annual revenue of more than $17 billion.
* Business incubators reduce the risk of small business failures. Historically, NBIA member incubators have reported that 87 percent of all firms that have graduated from their incubators are still in business

### 4.2 Market Trends

Due to the spectacular success experienced by some prominent tech-focused accelerators such as Y Combinator and Tech Stars, there has been a marked trend toward technology incubators/accelerators. This is especially true of the privately owned commercial operations who are seeking profits and investment returns. The for-profit incubators take in fees for space and service but need to share in the returns gained by their clients in order to be truly profitable. Thus, these  high end tech-based accelerators often provide seed capital in addition to incubator services and intense boot camp type accelerator services and they take an equity positions in their client organizations. These equity positions generally range from 5-8%, and often provide significant profits for the accelerator when these new businesses become profitable. There are a number of success stories involving  extremely successful IT and e-commerce companies that have sprung from tech incubators such as Y Combinator. The top accelerators include:

###  4.3 Business Participants

* In 2006 the large majority (94%) of business incubators were nonprofit. However, that trend has seen a reversal in recent years. Of the incubators started during the past five years 22% were for-profit or hybrid. (This shift was prompted by the recent high level of profitability of certain accelerators.)
* 54 percent are "mixed-use," assisting a range of early-stage companies.
* 39 percent focus on technology businesses.
* About 4 percent focus on service businesses, serve niche markets or assist other types of businesses.
* 3 percent serve manufacturing firms.
* About 53 percent of business incubators operate in urban areas, 28 percent operate in rural areas and about 19 percent operate in suburban areas.

**Ownership**

* About 31 percent of North American business incubators are sponsored by economic development organizations.
* 21 percent are sponsored by government entities.
* 20 percent are sponsored by academic institutions.
* 8 percent are sponsored by other types of organizations.
* 8 percent of business incubators are "hybrids" with more than one sponsor.
* 6 percent are sponsored by for-profit entities.
* 6 percent of incubators have no sponsor or host organization.



### 4.4 Market Growth

**Incubators**

 The number of business incubators nationwide has grown to approximately 1,200 from 500 ten years ago according to the National Business Incubator Association (NBIA), their professional association headquartered in Athens, Ohio.  New incubators are currently opening at the rate of about one a week.

**Venture Capital**

Venture capital is the lifeblood for most business startups and companies in a growth mode. The value of venture capital deals across the U.S. for the first three quarters of 2011 significantly outpaced results from the same period the previous year, according to the National Venture Capital Association. In 2010, $17.7 billion in venture capital deals were struck in the first nine months of the year. In 2011, that number was $21.2 billion, according to the NVCA. This increase in available investment capital bodes quite well for incubators/accelerators and their clients.

### 4.5 Competition and Buying Patterns

 Washington, DC is a premier location for this type of business. It is the hub of a thriving region that has one the highest educational and income levels in the nation. DC also has the following advantages:

• Excellent transportation infrastructure
• Excellent higher education
• Access to educated professionals in the region
• Good quality of life
• Close proximity to a wide variety of outdoor amenities
• Broad range arts and entertainment

 Certain accelerators, less than fifty nationwide, offer startup capital to its graduates. These grants/investments range from a few thousand dollars up to $100,000. Of course the accelerators that offer the most money attract the largest number of applicants and have the option to pick through applicants with the better ideas and strongest business models. However, the aggregate number of businesses serviced by the funding type accelerators is relatively small to the total of prospective entrepreneurs who are in need of business development assistance. There are no accelerators serving the DC market that offer startup funding.

### 4.6 Main Competitors

The incubator component of NeXcelerator will primarily serve the Washington, DC-Maryland-Virginia market. However, the accelerator component will draw clients from across the country. Washington, DC has been cited as one of the nation's most underserved markets for incubators. The DC metro region has a very large IT business community business that will spawn numerous technology ideas and potential entrepreneurs.

 In respond to this growing demand for a new tech accelerator, The Fort, a for-profit accelerator that recently relocated to DC from neighboring Virginia, was immediately blessed with a grant from the DC  government in the amount of $100,000. Local regional governments are eager to capitalize on the economic development that incubators/accelerators generate.

 The Washington, DC Region also has one of the nation's largest and best educated African American communities that afford NeXcelerator a strong potential client base.

 **Regional Incubators**

DC

1.     Affinity Lab LLC
2.     Big Window Labs
3.     District I/O
4.     The HIVE
5.     Center for Green Urbanism

6.     The Fort

7.      National Women's Business Center

8.      US Technologies

 Northern Virginia

1.     Community Business Partnership
2.     Connect113
3.     EDG Incubator
4.     Fairfax Innovation Center
5.     Fairfax County BioAccelerator
6.     Greater Reston Chamber of Commerce Incubator
7.     Teqcorner
8.     The Mason Enterprise Center
9.     The Mason Enterprise Center @ Prince William
10.    weSpace
11.   Incubator America

12.   The Entrepreneur Center

13.  INC.spire

 Baltimore/Maryland

1.     CEO Business Cafe
2.     Chesapeake Innovation Center (CIC):
3.     Montgomery County Business Innovation Network
4.     NeoTech Incubator
5.     Prince George's County Technology Assistance Centre (TAC) Incubator
6.     The Technology Growth Center at University Town Center
7.     University of Maryland-Technology Advancement Program (TAP)
8.      Silver Spring Innovation Center

9.      Wheaton Business Center

10.   Rockville Innovation Center

11.   Shady Grove Innovation Center

12.   Germantown Innovation Center

13.   Technical Innovation Center at HCC

14.   MTECH- UMD

15.   Emerging Technology Centers

**Washington, DC**

Affinity Lab LLC

Affinity Lab provides basic infrastructure and collective workspace for a variety of media production companies, freelancers and entrepreneurs of growing enterprises in Washington DC. They act as both an incubator and an executive office suite.

 Fortify Ventures LLC
Dubbed “The Fort” — the region’s newest venture fund aims to correct one of the D.C. tech scene’s most glaring deficiencies: the lack of a centralized, intensive and collaborative hub for startups that offers a mix of office space, mentorship and money. The Fort will be home to an inaugural class of 12 tech startups slated for a six-month stay (give or take, depending on need). Fortify Ventures — also known as Fortify.vc — plans to make $2 million in new investments in Fort-based startups this year, according to a source familiar with the plans.

 National Women's Business Center

The National Women's Business Center is the only organization in Washington, DC dedicated to offering women business owners high-quality, low-cost business training and support.

U.S. Technologies U.S. Technologies is an Internet Incubator and B2B Enterprise Developer that pursues, funds and nurtures Internet visionaries and companies that provide Internet solutions that transform and re-invent businesses.

 **Maryland**

Chesapeake Innovation Center (CIC):
The Chesapeake Innovation Center (CIC) is a business incubator that serves as a hub of technology commercialization. One of the focuses of the CIC is the development of firms specializing in homeland security technology, the first in the nation with this focus.

 Human Vision Incubator
The Human Vision Incubator is a privately run facility operated by a high tech entrepreneur. Acceptance into the incubator is by invitation only. The selected firms will receive business and technical assistance from the owner. Flexible office suites are available for 4 to 5 small high tech firms.

 Maryland Technology Development Center
Currently under the management of Montgomery County, the state-of-the-art 55,000, square foot facility opened in 1999 and is consistently fully leased to over 30 start-up and early stage biotechnology and information technology companies.

 NeoTech Incubator
The Center for Business and Technology Development, part of the Howard County Economic Development Authority, is home to The NeoTech Incubator, created to assist start-up firms in the areas of computer hardware and software development, telecommunications hardware development, and Internet and Web development.

 Prince George's County Technology Assistance Centre (TAC) Incubator
The Prince George's County Technology Assistance Center (TAC) Incubator provides shared services, managerial and technical assistance and flexible office space for small technology firms.

 The Technology Growth Center at University Town Center
The Technology Growth Center offers assistance with business plan development and financing, technical assistance and access to facilities at the U. of Md., and moderately priced facilities in a million-square foot office complex adjacent to a metro station and shopping mall.

 University of Maryland-Technology Advancement Program (TAP)
The Technology Advancement Program (TAP) is a business incubation program located on the campus of the University of Maryland, College Park. TAP focuses on providing technical and business support to start-up and early-stage companies that are developing and commercializing technology-based products and services.

**Virginia**

Business Incubation Center
Offers Office Space with unlimited counseling services from expert counselors including Small Business Development Center, Women's Business Center, Business Finance Center and Financial Education Center for Women Entrepreneurs.

Fairfax County EDA

The Fairfax County BioAccelerator, located in Springfield, can accommodate up to 12 early-stage bioscience, biomedical and bioinformatics companies.

 Greater Reston Chamber of Commerce Incubator
The Reston Chamber of Commerce offers extended services to selected entrepreneurs, such as 30 free hours of consulting, along with a Virtual Incubator, for those firms who need the support but not the office space.

 The Mason Enterprise Center
The Mason Enterprise Center offers executive-suite office space in Fairfax City for technology firms on the rise.

 Fairfax Innovation Center
The Fairfax Innovation Center, a business incubator located at the Mason Enterprise Center in Old Town Fairfax, provides furnished office space, telephone and receptionist service to start-up businesses. It is the largest, university-based business incubator in the Commonwealth of Virginia, featuring over 49 office spaces. Start-ups located here also have access to the business advisors, networking opportunities and the full range of quality educational programs offered by the Mason Enterprise Center.

 Teqcorner
Teqcorner offers short-term, flexible leases to start-up, high growth technology firms.
While there are several university affiliated incubators in the region there are none in Washington, DC. NeXcelerator will be based near UDC but will support the entrepreneurial development efforts of all six major universities in DC.

 **Accelerators**

The Fort is the only tech accelerator that serves neXcelerator's target market that provides startup capital.

 **Minority Businesses**

The New Me, located in Palo alto, CA is only other incubator/accelerator besides neXcelerator that focuses on minority entrepreneurs in technology.

## 4.7 Competitive Edge

NeXcelerator has the following advantages over local competitors :

* World-class business development and support services to on- site clients and affiliate members
* Highly talented management team that nurture local and international engineers, programmers and scientists
* State-of-the-art office and lab space
* Best-in-class business and financial services
* Resources, contacts and networking opportunities
* Industry workshops and training programs
* Investor connections
* Access to university faculty and student interns
* Access to industry experts and service providers

 Washington, DC gives the company a decided competitive edge over incubator/accelerators outside of the area. DC provides the following:

* Prestigious location
* Outstanding living and working environment
* Large dynamic business economy
* Expansive potential client base
* Easy access to federal financial and programmatic support
* Strong university support system

##

## 5.0 Marketing Strategy

The incubator component of NeXcelerator will primarily serve the Washington, DC-Maryland-Virginia market. However, the accelerator component will draw clients from across the country. Washington, DC has been cited as one of the nation's most underserved markets for incubators. The DC metro region has a very large IT business community business that will spawn numerous technology ideas and potential entrepreneurs.

 In respond to this growing demand for a new tech accelerator, The Fort, a for-profit accelerator that recently relocated to DC from neighboring Virginia, was immediately blessed with a grant from the DC  government in the amount of $100,000. Local regional governments are eager to capitalize on the economic development that incubators/accelerators generate.

 The Washington, DC Region also has one of the nation's largest and best educated African American communities that afford NeXcelerator a strong potential client base.

### 5.1 Positioning Statement

NeXcelerator will position itself in the market by:

* offering the right **product and service** offering
* at the right **price**
* in the right **place**
* by informing the right people through sound **promotion** and
* involving the right **people** in the delivery of
* the right **processes**
* that have all elements of **physical evidence** supporting the brand - ????

The company has positioned itself as the only hybrid organization serving the DC/MD/VA market. It is uniquely hybrid because it combines functions and features in these critical ways:

1. It is both an incubator and an accelerator
2. It is a public/private organization that has a for-profit and a nonprofit component
3. It is university based and commercial sector based and has stakeholders from the local community as well as the schools and private investors.

### 5.2 Pricing Strategy

NeXcelerator has three classes of clients:

1. Fee for service clients- purchase products and services for a fee.
2. Tenant clients- rent space for a flat monthly fee in our DC office, which also grants access to all of firm's products and services.
3. Incubator/Accelerator clients- work directly with the firm's staff free of charge as the firm will take royalties or an equity position in the clients company.

Fee for service clients and tenant clients while seeking value put an equal premium on services and convenience. NeXcelerator offers high level technical consultation services at a more the competitive fee. The consultants available to the tenant and fee clients will more diverse and qualified than any of the competitors because many of them are on board to work in the accelerator. The accelerator consultants and mentors generally work free or are subsidized by government contracts and grants. However, they will be available to assist fee paying clients also.

Most accelerator clients and some incubator clients are not at all price sensitive at all because they will receive their services free or at sharp discount. Stakeholders, business experts, mentors and university faculty provide these services for other considerations or are paid through government funding.

### 5.3 Promotion Strategy

NeXcelerator will employ a set of systematic procedures to identify and attract potential customers to the incubator, aimed at  achieving a quantitative and qualitative increase in demand.  Immediate next action steps include:

1. **Referrals:** Work closely with other Small Business Development Centers who will refer promising clients who may need more intensive assistance. Referrals are solicited from federal and local governments, as well as from area community based organizations. Referrals are also encouraged from  local professionals and entrepreneurs.
2. **Students** at stakeholder universities are routinely exposed to incubator opportunities.
3. **Promotion of Incubator Facilities:** Release information about the incubator such as: advantages, type of entry, strength of connections to graduated companies and partners, networks, outcomes etc.
4. **Advertising and promotional materials** are disseminated in strategic locations such as trade and industrial associations, universities and associated institutions.
5. **Internet** is a key strategic component of the promotional strategy.
6. **Press**: Mention successful incubator cases in the press, articles on entrepreneurship and the formation of new companies are featured in the local press and incubator advertising
7. **Courses, lectures, and seminars** on entrepreneurship are offered to the public by NeXcelerator incubator covering a variety of business topics and presenting entrepreneurship opportunities.
8. **Incubator tours**: schedule visits by "gatekeepers" - people in contact with potential tenants such as university staff, accountants or lawyers, for example - to learn more about what the incubator can provide.
9. **Successful cases**: show how NeXcelerator can assist in creating/developing new business opportunities. Present cases fully identified with a real local context.
10. **Showcase spin-offs**: NeXcelerator can promote active prospecting that may include:
	* Spin-off incentives: incubator fosters existing companies (especially large) to support the emergence of new ones. These new companies usually develop new products and/or services that enhance the competitive capacity of the existing company.
	* Fostering Spinouts: in view of their research activities, university research groups or institutes have potential to form new companies called Spinout companies.

5.4 Sales

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| *Sales Forecast* |  |  |  |  |  |
|  | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Sales |  |  |  |  |  |
| Client Rents | $180,000  | $288,000  | $302,000  | $317,000  | $333,000  |
| Client Fees | $113,800  | $190,000  | $210,000  | $235,000  | $247,000  |
| Exit Returns | $0  | $50,000  | $200,000  | $500,000  | $1,000,000  |
| Government Contracts | $300,000  | $600,000  | $600,000  | $600,000  | $600,000  |
| Royalties | $0  | $250,000  | $350,000  | $500,000  | $1,000,000  |
| Total Sales | $593,800  | $1,378,000  | $1,662,000  | $2,152,000  | $3,180,000  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

#### Chart: Sales Monthly



#### Chart: Sales by Year



#

# 6.0 Management Summary

NeXcelerator is a business and as such, works with a lean and competent managerial structure which is composed of three levels of management: board of directors, accelerator management and consultant committee. The number of companies aided by the accelerator defines staff size. It is important to note that the administrative structure lean, light and agile.

## 6.1 Board of Directors

The Board of Directors runs the business of the corporation. They direct the policies of NeXcelerator, elaborate strategic planning, evaluate performance and propose improvements or alterations as required by the accelerator's services. The board will:

1. Develop and improve a strategic plan for accelerator policies
2. Develop policies regarding operation of the team and the role of the president
3. Control the external relations of staff and the accelerator: political interference; influence of accelerator marketing in the community; work with the president of the accelerator to establish and manage a network of community knowledge
4. Support the business operations of the accelerator
5. Support development of accelerator companies

The Board of Directors is involved with the prospecting of new credit lines, the pursuit of new partners and development of the network of contacts. They are responsible for policy development and not day-to-day operations, which is left to the CEO. Bureaucracy, in the case of government-sponsorship will be kept to a minimum.

 The Board of Directors is comprised of stakeholders, including: local Governments, local private business organizations, community organizations and local educational institutions.

## 6.2 Board of Advisors

The Board of Advisors supports the CEO and staff in the provision of client services. They are the heart of the operation and are comprised of the following:

* Leaders with a clear vision of the mission of NeXcelerator and the energy and devotion to commit time and resources to motivating and supporting staff's commitment and mission;
* Networkers or professionals with investment and professional services community connections;
* Professionals that can aid  in operational and managerial activities;
* Service suppliers and mentors who can provide companies with advice and facilitate the use of resources;
* Venture capitalists, angel investors and bankers who understand the concept of business risk and provide enterprises with financing;
* Entrepreneurs who developed successful businesses and are able to ensure that the NeXcelerator services are important for their clients;
* Technicians who can help the CEO evaluate the technical components of the new businesses that are candidates for the accelerator;
* University faculty that can conduct research in support of client business needs, provide educational and training services, and perform direct client consultation. (provide student interns?)

The Board of Directors and staff will recruit a cadre of over 100 consultants and mentors most of whom will be volunteers. However, some specialized consultants may be paid. The funds to support paid consultants will come through governmental contracts and grants.

 **Mentors**

A key element of both the incubator and accelerator programs is the mentor program that connects new entrepreneurs to entrepreneurs who have attained great success and experience or professionals that have expertise in areas required by the individual client. NeXcelerator will employ various versions of mentorship. In some cases, there will be one mentor for one entrepreneur, a shadow board of three to five mentors for an entrepreneur, or a combination of the two. Mentors are volunteers who supply their services free-of-charge. Mentor programs for the start-ups (incubator) are structured differently from mentor programs for businesses that have gone beyond the initial stage and are moving into the growth stage (accelerator).

 **Temporary Boards**

During advanced stages of development, many new businesses do not have effective boards of directors. Consequently NeXcelerator will add an aggregate value by providing assistance in the formation of a temporary council to perform this function until such time as the formal board of directors is established. The consultative body will be composed of volunteers with the expertise required by the client.

## 6.3 Consultant Committee

An expert committee will be formed from members of the Board of Directors and Board of Advisors. This committee will assist the CEO and staff in evaluating clients and potential clients. It will decide who is eligible for incubator and accelerator programs. It will also help decide who might receive intense follow on services and who may receive agency seed capital, if that comes available. This committee is fundamental to avoiding political influences and Operations Manager and the CEO in the process of monitoring and supporting companies.

## 6.4 Management Team

**Darryl Hill, CEO**

Chief Executive Officer, Darryl Hill, is ideally suited to head a business accelerator. Mr. Hill is a dynamic  entrepreneur who has started and operated a number of successful  businesses. He is pioneer in small business development and minority business development.  He is a teacher of entrepreneurship and has high level ability to teach and provide advice. Additionally, he is well known and well positioned in the Washington area business and social community and has the capacity to develop a strong community and an intense process of networking. He can build good relationships and consensus with the community, particularly with local political, industrial, commercial and educational leaders.

* Darryl Hill is the founder and a principal of Northstar International Resources, Ltd that owns and operates forestry operations in Russia.
* Mr. Hill is a professor of Entrepreneurship at the University of the District of Columbia.
* He is a national corporate advisor and spokesman on diversity and inclusion.
* He was the Director of Business Development and Corporate Relations for the University of Maryland's Department of Intercollegiate Athletics.
* He was the founder and Chairman of GlobalPac Incorporated which operates a joint venture in paperboard packaging with the largest packaging company in the People's Republic of China..
* He is a bold and creative entrepreneur who has developed viable and successful enterprises and joint ventures worldwide. He has been involved in building roads in Nigeria, recovering timber from the Amazon, as well as forestry in Siberia. He has formed a number of successful international joint ventures that have involved business interests in Russia, Brazil, New Zealand and Singapore.
* He was the founder and CEO of Energy Systems Corporation that operated several energy management and energy control system companies in California during the 1980s and 1990s. .
* He founded and operated three upscale fine dining restaurants and in 1977 he opened W.H. Bone & Company in Washington, DC, which was the first Black owned mainstream fine dining restaurant in the nation.
* He was the Executive Director of the Greater Washington Business Center, Inc, which was chiefly responsible for providing technical assistance and financing to small and minority businesses in the Middle-Atlantic region. During his  eight-year tenure as Director, this agency successfully packaged over 3,000 loans and investments.
* He also founded and capitalized the first publicly held Minority Enterprise Small Business Investment Company (MESBIC).
* He is an expert in business management, business financing and financial control systems. He is particularly experienced in the capitalization of minority and women owned businesses.
* President Nixon appointed Darryl Hill the first Chairman of the National Minority Supplier Development Council whose mission is to foster purchasing from minority firms by major US corporations.
* He taught business management and finance at the graduate schools of Howard University and American University.
* He was honorable mention AP All America in football at the University of Maryland where he was the first African American to play varsity sports in the Atlantic Coast Conference or at any major university in the South. He also attended the United States Naval Academy where he also was the first African American varsity athlete at a US military academy. Darryl Hill is generally known as the Jackie Robinson of College Sports, He has recently been the subject of a number of documentary films.
* He was honored and installed in History Makers in 2004.

 **Dr. John Whitman, Chief of Operations**

John R. Whitman, PHD teaches Social Entrepreneurship at the McDonough School of Business at Georgetown University. Until September 2011 he was full time Lecturer at Babson College, where he taught Social Entrepreneurship, Options for Creating Social and Economic Value, and a workshop on Nonprofit Organizations, and Lecturer at Harvard University Extension School, where he also taught Social Entrepreneurship.

 Dr. Whitman started (and sold) an international software tools company, and is now conducting research in alternative forms of organization that create both social and economic value, including social businesses, cooperatives, nonprofit organizations, and philanthropic foundations.

 Dr. Whitman is also Executive Director of the Museum for Black Innovation and Entrepreneurship, a nonprofit community economic development organization established to inspire and support economic, social, and health development and wellbeing in East DC.

 Following the sale of his international software company, Dr. Whitman served as a volunteer mentor to high technology start-up companies through the Cambridge Business Development Center, a community economic development organization in Cambridge, Massachusetts. Many of the nascent companies served by this organization grew to add significant jobs and wealth in the region.

 **Reva Williams, Director of Internet Services**

Reva Williams has been marketing and managing online direct response strategies for more than 12 years across search, media and email channels. Reva was Vice President of E-business Online Acquisitions for Citigroup, responsible for online media strategies across a number of Citi card portfolios. Previously, she was Director of Internet Marketing for Forbes Inc., developing email, search, affiliate and web based strategies for Forbes Magazine and Forbes Newsletters. She also spent several years as a Senior Marketing Manager for Bigfoot Interactive, launching strategic interactive marketing solutions via email and the web for clients such as Capital One, JP Morgan Chase, Walt Disney World and Time Inc.

 **Aigerim Begadilova, Director of Financial Services**

Aigerim Begadilova has 21 years of accounting and finance experience and has worked for a variety of organizations ranging from Fortune 500 Companies, Cummins Engine and Corning, Inc., to middle market companies. She held responsibilities in operations and human resources along with her primary accounting and finance functions.

Aigerim is currently working on her master's degree in business administration.

**James Brooks, Director of Investment Banking**

James has experience originating and directing mergers and acquisitions and equity financing transactions in a wide variety of industries. James currently serves as a Client Sales and Service Officer at the U.S. Trust, Bank of America, Private Wealth Management. Prior to that James served in Bank of America's corporate finance office.

 James will receive his undergraduate degree, with distinction, magna cum laude, from the University of the District of Columbia in Business Management in May 2012.

 **Francisca Caceres, Director of Marketing**

Francisca Caceres has more than ten years of marketing experience with various firms both in the USA and her native country, Columbia. During her professional career Francisca developed and executed marketing communication plans for clients ranging from $600 million national manufacturers to small regional equipment distributors.

Ms. Caceres currently serves as the Associate Director of Communications  at the University of the District of Columbia where she is also working toward an MBA in marketing. In this role, Francisca developed annual communication and advertising plans for the University.

 **James Dean, Director of Program Management and Technical Services**

James Dean has several years experience in program management. He is currently program manager for the computer engineering department at Thomson Reuters, in Washington DC. He served in a similar capacity with the US Department of Transportation and the US Department of Labor.

 Mr. Dean is a computer engineer and an IT expert. He has administered desk-side and telephone diagnostic, analysis and troubleshooting support/repair to hardware, software, A/V, communication, network, remote, output, broadcast and news-making technology and devices.  He has coordinated IT projects and written and designed technical documents.

## 6.6 Personnel Plan

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| *Personnel Plan* |  |  |  |  |  |
|  | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| CEO | $60,000  | $100,000  | $110,000  | $120,000  | $132,000  |
| Director of Client Services | $56,000  | $90,000  | $100,000  | $110,000  | $121,000  |
| Director of Financial Services | $44,000  | $48,000  | $55,000  | $60,000  | $66,000  |
| Director of Banking/Inv Services | $40,700  | $45,000  | $50,000  | $55,000  | $61,000  |
| Director of Marketing | $38,500  | $43,000  | $49,000  | $54,000  | $60,000  |
| Director of Internet Services | $38,500  | $43,000  | $49,000  | $54,000  | $60,000  |
| Director of Program Management | $40,700  | $45,000  | $50,000  | $55,000  | $61,000  |
| Total People | 7 | 7  | 7  | 7  | 7  |
|  |  |  |  |  |  |
| **Total Payroll** | $318,400  | $414,000  | $463,000  | $508,000  | $561,000  |

#

# 7.0 Financial Plan

## 7.1 Start-up Funding

|  |  |
| --- | --- |
| *Start-up Funding* |  |
| Start-up Expenses to Fund | $39,000  |
| Start-up Assets to Fund | $361,000  |
| Total Funding Required | $400,000  |
|  |  |
| Assets  |  |
| Non-cash Assets from Start-up | $74,000  |
| Cash Requirements from Start-up | $287,000  |
| Additional Cash Raised | $0  |
| Cash Balance on Starting Date | $287,000  |
| Total Assets | $361,000  |
|  |  |
|  |  |
| Capital |  |
|  |  |
| Planned Investment |  |
| Owner | $50,000  |
| Investor | $350,000  |
| Additional Investment Requirement | $0  |
| Total Planned Investment | $400,000  |
|  |  |
| Loss at Start-up (Start-up Expenses) | ($39,000) |
| Total Capital | $361,000  |
|  |  |
|  |  |
| Total Capital and Liabilities | $361,000  |
|  |  |
| **Total Funding**  | $400,000  |

##

## 7.2 Projected Profit and Loss

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| *Pro Forma Profit and Loss* |  |  |  |  |  |
|  | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Sales | $593,800  | $1,378,000  | $1,662,000  | $2,152,000  | $3,180,000  |
| Direct Cost of Sales | $0  | $0  | $0  | $0  | $0  |
| Other Costs of Sales | $0  | $0  | $0  | $0  | $0  |
| Total Cost of Sales | $0  | $0  | $0  | $0  | $0  |
|  |  |  |  |  |  |
| Gross Margin | $593,800  | $1,378,000  | $1,662,000  | $2,152,000  | $3,180,000  |
| Gross Margin % | 100.00%  | 100.00%  | 100.00%  | 100.00%  | 100.00%  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| Expenses |  |  |  |  |  |
| Payroll | $318,400  | $414,000  | $463,000  | $508,000  | $561,000  |
| Marketing/Promotion | $113,500  | $85,000  | $88,000  | $90,000  | $93,000  |
| Rent | $145,835  | $252,000  | $252,000  | $258,750  | $258,750  |
| Internet/Telecom | $36,000  | $46,500  | $49,000  | $52,000  | $54,000  |
| Insurance | $32,500  | $35,000  | $35,000  | $38,000  | $38,000  |
| Office Supplies/Printing | $11,780  | $14,300  | $15,000  | $15,500  | $1,600  |
| Legal/Accounting | $32,000  | $50,000  | $60,000  | $65,000  | $70,000  |
| Payroll Taxes | $47,760  | $62,100  | $69,450  | $76,200  | $84,150  |
| Other | $60,000  | $65,000  | $70,000  | $75,000  | $80,000  |
|  |  |  |  |  |  |
| Total Operating Expenses | $797,775  | $1,023,900  | $1,101,450  | $1,178,450  | $1,240,500  |
|  |  |  |  |  |  |
| Profit Before Interest and Taxes | ($203,975) | $354,100  | $560,550  | $973,550  | $1,939,500  |
| EBITDA | ($203,975) | $354,100  | $560,550  | $973,550  | $1,939,500  |
|  Taxes Incurred | $0  | $106,230  | $168,165  | $292,065  | $581,850  |
|  |  |  |  |  |  |
| Net Profit | ($203,975) | $247,870  | $392,385  | $681,485  | $1,357,650  |
| **Net Profit/Sales** | -34.35%  | 17.99%  | 23.61%  | 31.67%  | 42.69%  |

### Chart: Profit Monthly



### Chart: Profit Yearly



### Chart: Gross Margin Monthly



### Chart: Gross Margin Yearly



## 7.3 Projected Cash Flow

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| *Pro Forma Cash Flow* |  |  |  |  |  |
|  | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Cash Received |  |  |  |  |  |
|  |  |  |  |  |  |
| Cash from Operations |  |  |  |  |  |
| Cash Sales | $593,800  | $1,378,000  | $1,662,000  | $2,152,000  | $3,180,000  |
| Subtotal Cash from Operations | $593,800  | $1,378,000  | $1,662,000  | $2,152,000  | $3,180,000  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| Expenditures | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
|  |  |  |  |  |  |
| Expenditures from Operations |  |  |  |  |  |
| Cash Spending | $318,400  | $414,000  | $463,000  | $508,000  | $561,000  |
| Bill Payments | $439,896  | $696,749  | $799,178  | $949,701  | $1,236,788  |
| Subtotal Spent on Operations | $758,296  | $1,110,749  | $1,262,178  | $1,457,701  | $1,797,788  |
|  |  |  |  |  |  |
| Subtotal Cash Spent | $758,296  | $1,110,749  | $1,262,178  | $1,457,701  | $1,797,788  |
|  |  |  |  |  |  |
| Net Cash Flow | ($164,496) | $267,251  | $399,822  | $694,299  | $1,382,212  |
| **Cash Balance** | $122,504  | $389,755  | $789,577  | $1,483,876  | $2,866,088  |

### Chart: Cash



##

## 7.4 Projected Balance Sheet

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| *Pro Forma Balance Sheet* |  |  |  |  |  |
|  | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Assets |  |  |  |  |  |
|  |  |  |  |  |  |
| Current Assets |  |  |  |  |  |
| Cash | $122,504  | $389,755  | $789,577  | $1,483,876  | $2,866,088  |
| Other Current Assets | $0  | $0  | $0  | $0  | $0  |
| Total Current Assets | $122,504  | $389,755  | $789,577  | $1,483,876  | $2,866,088  |
|  |  |  |  |  |  |
| Long-term Assets |  |  |  |  |  |
| Long-term Assets | $74,000  | $74,000  | $74,000  | $74,000  | $74,000  |
| Accumulated Depreciation | $0  | $0  | $0  | $0  | $0  |
| Total Long-term Assets | $74,000  | $74,000  | $74,000  | $74,000  | $74,000  |
| Total Assets | $196,504  | $463,755  | $863,577  | $1,557,876  | $2,940,088  |
|  |  |  |  |  |  |
| Liabilities and Capital | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
|  |  |  |  |  |  |
| Current Liabilities |  |  |  |  |  |
| Accounts Payable | $39,479  | $58,860  | $66,297  | $79,111  | $103,673  |
| Current Borrowing | $0  | $0  | $0  | $0  | $0  |
| Other Current Liabilities | $0  | $0  | $0  | $0  | $0  |
| Subtotal Current Liabilities | $39,479  | $58,860  | $66,297  | $79,111  | $103,673  |
|  |  |  |  |  |  |
| Long-term Liabilities | $0  | $0  | $0  | $0  | $0  |
| Total Liabilities | $39,479  | $58,860  | $66,297  | $79,111  | $103,673  |
|  |  |  |  |  |  |
| Paid-in Capital | $400,000  | $400,000  | $400,000  | $400,000  | $400,000  |
| Retained Earnings | ($39,000) | ($242,975) | $4,895  | $397,280  | $1,078,765  |
| Earnings | ($203,975) | $247,870  | $392,385  | $681,485  | $1,357,650  |
| Total Capital | $157,025  | $404,895  | $797,280  | $1,478,765  | $2,836,415  |
| Total Liabilities and Capital | $196,504  | $463,755  | $863,577  | $1,557,876  | $2,940,088  |
|  |  |  |  |  |  |
| **Net Worth** | $157,025  | $404,895  | $797,280  | $1,478,765  | $2,836,415  |

## 7.5 The Investment Offering

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| *Investment Offering* |  | *Seed* | *Round 1* | *Round 2* | **Exit** |
| Proposed Year: |  | 1  | 2  | 3  | 7  |
|  |  |  |  |  |  |
| Valuation, Investment, Shares |  |  |  |  |  |
| Investment Amount |  | $350,000  | $0  | $0  |  |
| Equity Share Offering Percentage |  | 25.00%  | 0.00%  | 0.00%  |  |

## 7.6 Valuation

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| *Investment Analysis* |  |  |  |  |  |  |
|  | Start | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Initial Investment |  |  |  |  |  |  |
| Investment | $400,000  | $0  | $0  | $0  | $0  | $0  |
| Dividends | $0  | $0  | $0  | $0  | $0  | $0  |
| Ending Valuation | $0  | $0  | $0  | $0  | $0  | $4,753,000  |
| Combination as Income Stream | ($400,000) | $0  | $0  | $0  | $0  | $4,753,000  |
| Percent Equity Acquired | 35%  |  |  |  |  |  |
| Net Present Value (NPV) | $2,319,308  |  |  |  |  |  |
| Internal Rate of Return (IRR) | 64%  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Assumptions |  |  |  |  |  |  |
| Discount Rate | 10.00%  |  |  |  |  |  |
| Valuation Earnings Multiple |  | 10  | 10  | 10  | 10  | 10  |
| Valuation Sales Multiple |  | 2  | 2  | 2  | 2  | 2  |
|  |  |  |  |  |  |  |
| Investment (calculated) | $400,000  | $0  | $0  | $0  | $0  | $0  |
| Dividends |  | $0  | $0  | $0  | $0  | $0  |
| Calculated Earnings-based Valuation |  | $0  | $2,480,000  | $3,920,000  | $6,810,000  | $13,580,000  |
| Calculated Sales-based Valuation |  | $1,190,000  | $2,760,000  | $3,320,000  | $4,300,000  | $6,360,000  |
| **Calculated Average Valuation** |  | $595,000  | $2,620,000  | $3,620,000  | $5,555,000  | $9,970,000  |